LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7526
BILL NUMBER: SB 311

DATE PREPARED: Apr 5, 2001
BILL AMENDED: Apr 5, 2001

SUBJECT: Prompt Payment of Claims.

FISCAL ANALYST: Jim Landers
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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill defines a "clean claim" for purposes of provider reimbursement under state employee health benefit plans, accident and sickness insurance policies, and health maintenance organization contracts. The bill provides a procedure for determining whether a state employee health benefit plan, an accident and sickness insurer, or a health maintenance organization shall pay, deny, or suspend claims for payment submitted by providers. The bill requires a state employee health benefit plan, an accident and sickness insurer, or a health maintenance organization to make this determination and to notify the provider of deficiencies or pay a clean claim within 30 days after the claim is filed electronically or within 45 days after the claim is filed on paper. The bill also requires a state employee health benefit plan, an accident and sickness insurer, or a health maintenance organization to pay interest to a provider who submits a clean claim that is paid later than the applicable deadline. The bill specifies the period during which interest accrues and provides the interest rate that applies. The bill allows the Insurance Commissioner to impose a civil penalty upon an insurer or a health maintenance organization for failure to comply with requirements for payment of clean claims.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) The bill permits the Insurance Commissioner to impose a civil penalty annually on insurers and HMOs that fail to pay at least 95% of all clean claims during the year in compliance with the time lines and other requirements of the bill. The bill also permits an insurer or HMO to contest the civil penalty by requesting an administrative hearing. The extent to which this would impact the Department of Insurance would depend upon the number of insurers and HMOs that are penalized and that are willing to contest the penalty. (The April 2, 2001, Manning Table indicates that the Department has 23 vacancies.)

Explanation of State Revenues: (Revised) The potential revenue impact of the civil penalties authorized by the bill is indeterminable and would depend upon (1) the number of insurers and HMOs found to have not complied with the bill and (2) the size of penalties the Commissioner elects to impose. The bill requires that the civil penalties be deposited in the state General Fund.

The civil penalties that could be imposed on an insurer or HMO are as follows: (1) A maximum of $10,000, if the insurer or HMO paid between 85% and 95% of clean claims in accordance with the bill; (2) at least $10,000, but not more than $100,000, if this percentage is between 60% and 85%; or (3) at least $100,000, but not more than $200,000, if this percentage is less than 60%.

The bill provides that if the Commissioner imposes a civil penalty on an insurer or HMO, the Commissioner can not impose a penalty for the same activity under current law relating to unfair or deceptive acts and practices. Penalties for unfair and deceptive acts can not exceed $100,000 per year, unless the person penalized knew or reasonably should have known that an act was unfair or deceptive. Then, civil penalties can not exceed $200,000 annually. These penalties are currently deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources: